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Competition by Any Other Name

The introduction of digital technologies to the marketplace has drastically reduced the costs of production associated with supplying information. Once limited to those who could afford to operate through the printing press or broadcast stations, now anyone with access to a personal computer and the internet is a potential producer of information. In practice this has meant a vast expansion in the number of alternatives the individual consumer can choose from. Put differently, the level of competition among sources of information has increased and continues to grow. As the marketplace for information becomes increasingly competitive, producers will face the continual pressure to supply consumers with more content of higher quality at a lower price.

An increase in the supply of a commodity means that producers are willing to supply more of it at a given price than they had been. On the internet, the extent of the increase is such that the must successful producers cannot charge their readers money if they wish to remain competitive. Though the New York Times website has remained tremendously popular[1], the $50 Times Select section has managed to capture only a tiny subset of the site's overall traffic[2].[3] One important reason for this is that websites such as CNN.com or WashingtonPost.com provide readers with an alternative to the Times Select articles that they do not have to pay any money for.

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[1] Sifry, David. "Sifry's Alerts: State of the Blogospehre, August 2006." Sifry Alerts. 07 Aug 2006. 20 Mar 2007 <http://www.sifry.com/alerts/archives/000436.html>.

[2] Saba, Jennifer. "'NYT' Opening TimesSelect to Students and Teachers for Free ." Editor & Publisher 11 Mar 2007 20 Mar 2007 <http://www.mediainfo.com/eandp/news/article_display.jsp?vnu_content_id=1003556814>

[3] "CORRECTING and REPLACING The New York Times Company Reports NYTimes.com's Record-Breaking Traffic for March." New York Times Digital 18 April 2005 20 Mar 2007 <http://home.businesswire.com/portal/site/nyt-digital/index.jsp?epi-content=GENERIC&newsId=20050418006138&ndmHsc=v2*A1039266000000*B1133914259000*DgroupByDate*J2*N1001162&newsLang=en&beanID=555004527&viewID=news_view>.

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The blogging[4] phenomenon in particular has broadly increased the number of substitutes for any given article that one might find on the New York Times or Washington Post website. Between 2003 and 2006, the number of the self-publishing websites known as "blogs" increased a hundredfold by some estimates[5]. Though many focus on the personal lives of the writers, a significant portion provide content that is in direct competition with what established media producers offer. Be it in economics[6], politics[7], current events[8], international news[9], or entertainment[10], the ratio of blog articles to newspaper articles is only getting larger. Since hosts such as blogger.com and wordpress.org do not charge any money for people who wish to start a blog, bloggers have no need to charge their readers in order to cover their costs.

As the competition among producers increases, so will the pressure to reduce prices even further. Since prices in terms of money have already been reduced to zero or near zero, producers will compete to provide information in a manner that takes the least amount of time to consume. The review system at Amazon.com is an attempt to address just that problem. It gives customers a public place in which to voice their assessment of the product. As more and more customer reviews accumulate, the product page itself will become an increasingly useful source of information on the product. Rather than limiting oneself to a single source, or spending one's time browsing for multiple sources, one has

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[4] "Blog: a Web site that contains an online personal journal with reflections, comments, and often hyperlinks provided by the writer", from:
"Blog." Merriam-Webster Online Dictionary. Merriam-Webster, Incorporated. 25 Mar 2007 <http://www.m-w.com/cgi-bin/dictionary?sourceid=Mozilla-search&va=blog>.
[5] Sifry, David. "Sifry's Alerts: State of the Blogospehre, August 2006." Sifry Alerts. 07 Aug 2006. 20 Mar 2007 <http://www.sifry.com/alerts/archives/000436.html>.
[6] Kling, Arnold. Econlog. 23 Mar 2007. The Library of Economics and Liberty. 25 Mar 2007 <http://econlog.econlib.org/>.
[7] Zúniga, Markos Moulitsas. Daily Kos. 25 Mar 2007. 25 Mar 2007 <http://dailykos.com/>.
[8] Reynolds, Glenn. Instapundit. 25 Mar 2007. 25 Mar 2007 <http://instapundit.com/>.
[9] Mayer, Robert. Publius Pundit. 25 Mar 2007. 25 Mar 2007 <http://www.publiuspundit.com/>.
[10] Ott, Scott. ScrappleFace. 25 Mar 2007. 25 Mar 2007 <http://www.scrappleface.com/>.

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the option of looking at the Amazon.com page in order to obtain multiple perspectives. This reduces the price in terms of time that one has to spend in order to obtain the amount of information provided on that particular page.

As competition drives down the cost of producing large quantities of information, the pressure to provide higher quality content will tighten as well. The Amazon review system addresses this problem by allowing people to vote on whether or not a particular review was useful. The reviews that remain on the front page will be those that receive the most positive votes. This method will therefore be more likely to reflect the values of the consumers. Since programming the algorithm is much cheaper than hiring reviewers and a panel of editors, the Amazon staff is able to provide this system that is biased in favor of higher-quality content at a relatively low price to consumers.

The more broadly utilized hyperlink similarly increases the quality of a product while reducing costs. For even if one is particularly talented at writing elegant or entertaining prose, it is difficult to distinguish one's product from the vast sea of sources on the internet. For this reason, one might choose to link to one or more sources in order to add value to one's own work. The amount of time it takes a reader to access that source from the link is less than the amount of time it took the author to find the source and link to it. The author has therefore driven down the cost of locating that particular source for his readers.

Glenn Reynolds has been fairly adept at making use of this process on his blog, Instapundit.com. Many of the publications that appear on Instapundit are no more than a sentence or two long, but exist in order to provide links to websites that Reynolds felt were worthy of mention. Reynolds spends a great deal of time browsing the web; it is

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likely that he does not link to all or even most of what he finds. He is therefore reducing

the cost of accessing a sizable number of sources on a daily basis for his readers. This

model has proved successful, for he receives well over one-hundred thousand page views

a day[11]. Just as Amazon saw value in attracting potential customers, a publishing house

saw the value of Reynolds' substantial readership. He was offered a book deal, and both

he and his publisher have profited from the arrangement[12]. It is unlikely that either the

deal or the success of the book would have been possible without the already established

prominence of Instapundit.

Links also provide sources of information by which readers can hold authors'

analysis accountable, meaning that those producers that do succeed will have to be able

to provide the highest quality analysis given the sources that they are making use of. In

this way links can be compared to a television commercial. Both provide compensation

for diverting attention away from the main product. In the case of the television

commercial, the network is paid in money. In the case of the hyperlink, the source is paid

in increased credibility.

At a low level of competition, producers would have no need for hyperlinks or

even citations. When the consumer has very few alternatives available to him,

established producers will already be supplying their product to a sizable percentage of

overall customers. There will therefore be a rapidly diminishing return on marginal

investment, since the number of potential consumers will be small relative to the number

of consumers already purchasing the product. Obtaining information requires an

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[11] Instapundit Site Summary. 25 Mar 2007. 25 Mar 2007
    <http://www.sitemeter.com/?a=stats&s=s11instapundit>.
[12] Reynolds, Glenn. Instapundit. 31 January 2006. 20 Mar 2007.
    <http://instapundit.com/archives/028335.php>

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investment of time and resources just like any commodity, and citing that source creates

the potential risk of diverting attention away from one's own product. Without

competition, there exist few incentives to innovate.

Only when there are a large number of alternatives does it become necessary for a

producer to invest more in their product in order to draw consumers away from

competitors. The recent increase in the number of alternative sources of information has

therefore been to the benefit of the individual consumer as well as society as a whole.

The internet has given reasonable cause to expect a continual growth in the amount of

high quantity information that producers supply, at the same time that the costs of

consuming that information are continually reduced.